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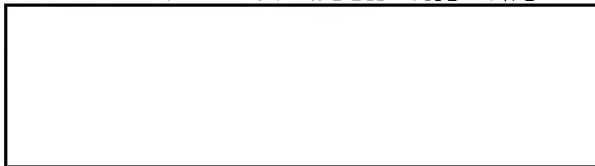


TURKEY-GREECE

Turkey has agreed to accept Greece's proposal that the two countries submit their dispute over oil prospecting rights and sovereignty in the Aegean to the International Court of Justice.

A Turkish Foreign Ministry official told the US embassy yesterday that Ankara's answer to the Greek proposal was an "unqualified yes." He said the Turks would propose preliminary contacts between the foreign ministries to work out the details of presenting the case to The Hague court.

Athens radio has described the Turkish answer as "constructive." The Greek information minister said the two countries will now open talks to draft a document pledging to accept the Court's ruling. The entire process is bound to be lengthy, and promises to defuse the dispute that has troubled relations between the two countries for over a year.



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PORTUGAL

While Portuguese leaders debate the role of the military, the Communists are stepping up efforts to increase their strength.

Socialist leader Mario Soares and Popular Democratic Party leader Francisco Sa Carneiro have warned in recent speeches that the previous dictatorship of the right could be replaced by a left-wing military authoritarian regime. Both seem worried that the promised election will be postponed or the results ignored by military leaders if the vote goes to moderate candidates.

Their misgivings presumably increased after remarks last week by the commander of the internal security forces, Brigadier Otelo de Carvalho. Carvalho said that the political parties are not representing the true interests of the Portuguese people and that a conservative or moderate outcome to an election might bring about a "second revolution."

An aide to President Costa Gomes may have had the moderates' misgivings in mind when he announced this week that the election of a constituent assembly will be held by April 25. Costa Gomes is required to set the date 60 days before an election takes place. According to his aide, the President is delaying a public announcement until he is certain there are no hitches.

All of these people probably were aiming at influencing in one way or another the Armed Forces Movement's 200-member General Assembly, which met yesterday to consider the future role of the Movement in Portuguese politics. The Socialist and Popular Democratic moderates hope that the military will limit the military's role and encourage the formation of a European-style democracy. Communist Party leader Cunhal, who reportedly has developed a close relationship with Prime Minister Goncalves, said recently that Portugal will not have a West European type of parliamentary democracy.

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The Communists have stepped up activities in the south, where their influence with farm laborers has been strong. The party has sponsored a number of meetings with southern farm workers in the past few weeks and is calling for expropriation of land and agrarian reform. Last week, press reports stated that armed farm workers in the south had seized three estates, demanding the right to cultivate the land as their own. They later withdrew from two of these estates as a result of government intervention. The Communists are, nevertheless, continuing their efforts in the south and have announced that a conference of the farm workers of southern Portugal will be held this Sunday in Evora.

In Lisbon, a demonstration against unemployment has been called for tomorrow, despite the government's ban on demonstrations from February 7 to 12. Militant leftist groups have announced they will participate in the demonstration, as they did last weekend in defiance of another government ban.

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TURKEY-CYPRUS

A high-level official at the Turkish Foreign Ministry told the US embassy in Ankara yesterday that his government does not rule out the formation of an independent state in the Turkish-controlled northern sector of Cyprus. Although the Foreign Ministry believes such a step would be premature at this time, the official warned that Ankara may authorize the move if Greek Cypriot leaders continue to insist that they represent the entire island and not just one of two communities. The Turkish official said the Turks would not break off the intercommunal talks, although the talks are regarded as an exercise in futility.

Earlier this month, Archbishop Makarios warned that, if the Denktash-Clerides intercommunal talks continued to make no progress, he would consider turning to another forum. The British High Commissioner on Cyprus suggests that the next Greek Cypriot move may be to take the question to the UN Security Council and that a decision on this will probably be made within the next few days.

In Ankara, the government is still considering how to respond to the cutoff of US military assistance. It now seems clear that the Turks had no contingency plan for an immediate response. As the first surge of anger subsides and the debate on an official response continues, cooler heads will have a chance to prevail.

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PERU

Tension remains high in Lima, although the situation appears to have stabilized following two days of extensive violence. The rest of the country is quiet for now, but trouble may develop in provincial cities.

According to US officials in Lima, the civil guard has agreed to resume its police duties; some units were back on the streets yesterday. This will reduce the pressure on the Peruvian army, which is not accustomed to a police role.

President Velasco appears to be seeking scapegoats for the violence, probably from among the cabinet, civilian politicians, the student groups who led the rioting on Wednesday, the civil guard command, and the US. The government-controlled media have already raised the spectre of CIA involvement.

Any such moves by Velasco will not help him significantly or ease the dissatisfaction with military rule. For the moment, the massive military response to the disturbances will discourage further eruptions of violence in Lima.

The military is not likely right now to break ranks with Velasco, despite probable differences over his actions. When the dust settles, however, splits may become more severe within the military and this would affect Velasco's position as head of the six-year-old military regime.

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ISRAEL

The government has established a new ministry-level security committee that will improve and formalize coordination between top civilian leaders, particularly during critical periods. This new committee is designed to increase civilian participation in producing intelligence assessments.

The new body is empowered to act in matters affecting:

- military intelligence and assessments;
- military operations, by which is probably meant special operations such as raids into southern Lebanon or against Beirut;
- Israeli Defense Force preparedness and plans;
- disposition of forces;
- equipment research and development.

The committee is designed to function as a war cabinet, or designate a group of ministers for that role in the event of another war. At its next meeting--probably on February 9--the Rabin cabinet is expected to determine which 10 or 11 ministers will make up the group.

Recommendations for such a committee were first made in 1963 in order to define the decision-making chain of command and improve the production and distribution of intelligence. The preliminary report of the Agranat commission last April basically reiterated these recommendations. The commission was established to determine how the mistakes of the October war can be avoided in the future. It suggested the creation of an intelligence research section within the Foreign Ministry and the appointment of a civilian intelligence adviser to the prime minister who would ensure that assessments from all elements of the intelligence community would be

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available to the prime minister. It also called for sweeping changes in the Department of Military Intelligence that would largely limit the Israeli Defense Force director of military intelligence to the production of strategic, operational, and tactical intelligence. The final report of the Agranat commission, issued on January 30, supported the preliminary report.

When and if the new committee begins functioning, civilians will assume a greater role in defense decision-making and in the overall intelligence process. The recently established intelligence research section of the Foreign Ministry will probably be given a greater voice in assessing the intentions of foreign countries during crisis situations. The director of military intelligence, although he will probably remain primarily responsible for assessing Arab military capabilities, is not expected to function as the prime minister's sole designated intelligence adviser.

The new committee also provides the framework for increased participation by minority coalition parties in making critical decisions. The Meir government was severely criticized for failure to consult the entire cabinet about military assessments during critical periods.

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CSCE - WESTERN EUROPE

The major West European powers, although unwilling to abandon their most important goals at the European Security Conference in Geneva, are weary of the proceedings and clearly in a mood to compromise. The softening applies even to humanitarian cooperation issues, on which the West Europeans have been particularly stubborn.

The West Europeans probably feel that prolonging the conference beyond this summer will not help extract concessions from the Soviets. Should the Soviets continue to be intransigent on practically all conference issues, however, the West Europeans might again stiffen their attitude, rather than appear to be making massive concessions.

The desire for an improvement in bilateral relations with the Soviets has already undermined the determination of the West Europeans to maintain their firm stand at the conference. At the meeting between French President Giscard and Soviet General Secretary Brezhnev in December, for example, the French made every effort to be as forthcoming as possible and came close to agreeing to the Soviet demand that the Security Conference conclude at the summit level. The British, preparing for Prime Minister Wilson's visit to Moscow later this month, have suggested to the other West Europeans a number of possible Western concessions.

The British and French now are showing great interest in ending the working phase of the conference soon and have become less insistent on such issues as the freer movement of people and ideas between East and West. The French are still standing fast on one of their pet proposals, the establishment of foreign libraries and reading rooms, but would probably compromise rather than prolong the conference. Of the other West European participants, only the Netherlands is still advocating a hard line on humanitarian cooperation issues.

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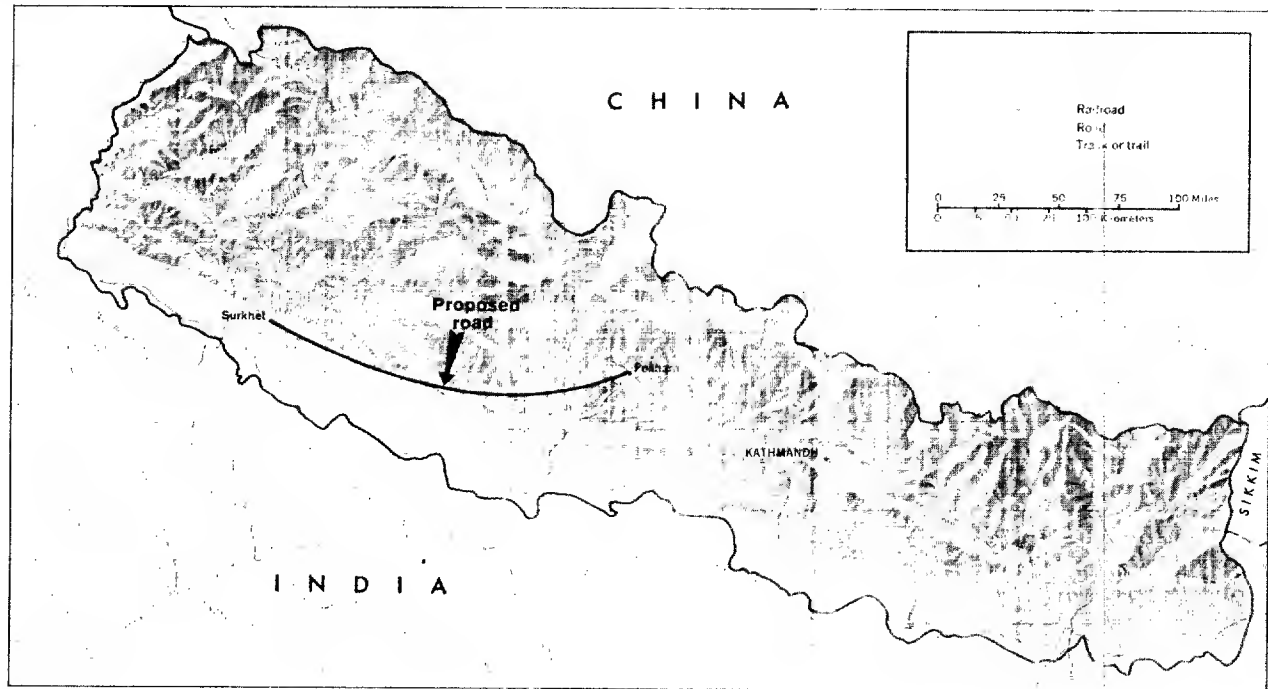
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Nepal: Proposed New Chinese-built Road



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CHINA-NEPAL

In a move that carries an important message to India, China agreed this week to undertake a 244-mile road-building project in Nepal, at an estimated cost of \$80 to \$90 million. It will be the largest single foreign aid project in the country and probably will put China ahead of India as Nepal's largest aid donor.

Construction is scheduled to begin late this year or early in 1976 and will probably take seven to ten years to complete. The road is vitally important to the Nepalese because it links the central part of the country with the mountainous western sector, where one third of the population lives.

The Chinese clearly made the decision to assist Nepal with India foremost in mind. New Delhi's decision to tighten its control over Sikkim last summer, together with subsequent pressure on Kathmandu to tone down its criticism of the Sikkim move, has aroused Chinese anxiety about India's intentions in the buffer region. The road project, which the Chinese have been considering for the past year, is designed to demonstrate Peking's resolve to maintain the status quo in Nepal and Bhutan.

In signing the aid accord, Vice Minister of Communications Tao Chi pledged that China would "firmly support" Nepal against "foreign intervention." Tao's assurance, like those given in the past, almost certainly refers only to political and economic backing. In the wake of the Sikkim events, the Chinese made it clear to Kathmandu that they are in no position to assist the Nepalese in a showdown with India and that the Nepalese should do nothing that might provoke New Delhi into taking any action against Nepal.

The Chinese doubtless expect the Indians to be quite irritated with the new aid commitment to Nepal. The Indian press has already given it adverse publicity. The Chinese probably calculate, however, that the aid will not lock the Indians into a position where a Sino-Indian political dialogue in the foreseeable future would

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be ruled out. There have been a few hints in recent months that Peking may be interested in restarting talks with New Delhi. For the first time in more than a decade, the Chinese have sent an organized group--a ping-pong team--to India.

In any event, there are clearly limits to Chinese efforts to strengthen relations with Nepal. Even though China has tried to take advantage of New Delhi's current difficulties in supplying Nepal with certain essential commodities by stepping up its own exports to Kathmandu, it is doubtful that Peking will be able to go much further at this time.

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THAILAND

The Thai political right, led by Praman Adireksan, now appears to have outmaneuvered the Democrat Party in the effort to form a government.

Although three of the four major conservative parties had agreed earlier in the week to support a center-left coalition led by Democrat Party leader Seni Pramot, talks soon broke down over the distribution of cabinet portfolios. The Democrats, having won the largest number of seats of the 22 parties returned to the Parliament, proved unwilling to give the conservatives control of the powerful Ministry of Interior. At that point, the Thai Nation Party, a key member of the rightist bloc, pulled out of negotiations with Seni.

Seni's hopes of forming a government received another setback yesterday when the assembly met to select a speaker of the lower house. Prasit Kanchanawat, the conservative bloc's candidate, soundly defeated the Democrat candidate [REDACTED]

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Since current parliamentary procedure calls for the speaker to decide who should form a government, most observers expect Prasit to ignore Seni and designate Thai Nation Party leader Praman.

Should the conservatives prevail, their government will be less vulnerable to parliamentary pressures than any grouping Seni could put together at this point. The conservative bloc controls almost half of the seats in the new assembly and, more importantly, enjoys the full support of the military and business elite. Any government lacking this support could not last long.

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A conservative government would be strongly criticized by the press, student, and intellectual community in Bangkok, where the Democrat Party's strength is greatest. This could lead to a revival of radical-led student protests.

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FOR THE RECORD

South Vietnam: The Viet Cong Provisional Revolutionary Government's efforts to gain greater international recognition suffered a setback yesterday at the UN-sponsored Law of War Conference. An Algerian-sponsored resolution to seat the PRG was defeated by two close ballots, both on procedural points. These votes now exhaust any further procedural avenue for seating the PRG, although a move could be proposed to amend the conference's procedures. Such a move, however, appears unlikely. Refusal by the conference to seat the PRG may put a crimp in its plans to seek admittance to the upcoming World Meteorological Conference, which the Viet Cong view as another step toward gaining observer status at the UN in New York.

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Pessimism in Phnom Penh Growing

The cumulative effect of steady Khmer Communist pressure on Phnom Penh's outer defenses and the serious threat along the Mekong River supply route is producing a growing sense of war weariness and pessimism in Phnom Penh.

In a conversation with Ambassador Dean last month, for example, Republican Party strongman Sirik Matak stressed the need to bring the war to an end this year, citing waning US congressional support for Indochina. Yesterday, the head of the Socio-Republican Party--Phnom Penh's dominant political party and President Lon Nol's primary political base--asked Ambassador Dean about the prospects for a peaceful settlement of the war if Lon Nol stepped down. [REDACTED]

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[REDACTED] Such signs of discouragement and malaise will inevitably increase unless there is some improvement in the military situation or some movement toward negotiations.

Relentless Pressure on Phnom Penh

The Khmer Communists have been on the attack in the Phnom Penh area for almost five weeks now. The Cambodian army has done a creditable job in containing insurgent initiatives in most sectors around the capital, but as a result of steady ground pressure, some army units--particularly the 7th Division manning the city's north-western defenses--are being chewed up. Government commanders are in the process of shoring up weak points in the outer defenses with units from less active fronts. Reinforcements will begin to run short, however, if the Communists are able to sustain their attacks.

From their footholds near the capital city, insurgent gunners have launched daily rocket attacks against Phnom Penh proper and outlying facilities--including

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Pochentong airport. Nearly 500 rockets have hit in and around Phnom Penh since the beginning of the year, according to government figures. Given the volume of fire, damage has been relatively light, but the psychological impact is beginning to show.

The French embassy on Wednesday began advising members of the capital's large French community to be prepared to evacuate dependents. If large numbers of French leave--as they did during the artillery attacks on Phnom Penh last spring--it could precipitate an exodus of other foreigners that would cause government morale to sink further.

The Situation on the Mekong

Although three Mekong River resupply convoys succeeded in reaching Phnom Penh last month, the Communists used mines to destroy three tugs in a convoy returning to South Vietnam on February 3 and on Wednesday mines sank three more tugs in a small convoy attempting the run upriver. The US mission has informed government leaders in Phnom Penh that the US does not consider a major airlift of supplies into Phnom Penh as a realistic alternative to the Mekong supply route and is urging military commanders to make a major effort to reopen the river.

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The most recent losses to mines occurred when tugs strayed from the shipping channel, which the navy reportedly had cleared. A much larger infusion of manpower would probably be needed to push the insurgents back from the river, however, and unless Khmer Communist military pressure around Phnom Penh eases, such large numbers of troops probably will not be available.

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GKR Stocks for 31 January 1975

	metric tons	days supply	consumption rate*
Rice	23,000	42	545
POL	16,000	33	481
Ammunition	8,900	16	564

*Metric tons per day.

Mekong Convoy Deliveries

January 1974		January 1975	
26,000	Rice	6,750	
15,000	POL	5,300	
8,000	Ammunition	6,000	
49,000	TOTAL	18,050	

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In addressing the need to keep the Mekong open, Ambassador Dean yesterday concluded that: "The supply of all three critical commodities--rice, ammunition, and fuel--must be assured at a routine rate far greater than anything that has so far proved possible since January 1. The urgency of this problem can hardly be overstated in terms of even the short-term survival of the Khmer Republic."

The Supply Factor

The supply situation in Phnom Penh is still tolerable, but will not remain so for long.

The three convoys in January delivered 6,750 metric tons of rice, about a two-week supply, increasing total stocks--as of today--in the city to more than five weeks at current consumption rates. The Cambodian government has already taken steps to ration government supplies of US PL-480 rice, a measure facilitated by the recently completed rice harvest around the capital and in other government-controlled enclaves. This has led to a decline in the rate that stocks in Phnom Penh are drawn down, from 750 to 545 metric tons a day. In spring when less local rice will be available, deliveries via the Mekong would have to be increased to last year's rate of about 23,000 metric tons a month to support consumption levels.

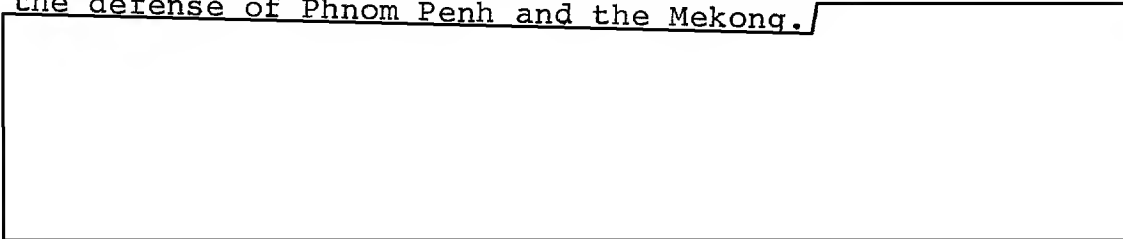
Ammunition stocks on January 30 were sufficient to sustain the current level of fighting for over two weeks, and stocks are being supplemented by air deliveries. Resupply by air of about 4,000 tons a month, however, cannot totally compensate for the reduced Mekong deliveries. At current combat levels, almost 13,000 metric tons of ammunition a month are needed. Stocks of most fuels will last through the end of the month. Some 5,300 metric tons of petroleum products were delivered by convoy in January, but currently 16,000 metric tons of fuel are used per month.

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Unless civilian and military stocks--particularly ammunition--are replenished soon, the government will have to take drastic steps. On the civilian side, this will involve frequent closings of rice distribution centers and further sharp cutbacks in fuel consumption. Civilian morale will sink as such measures are implemented.

Government options for conserving military supplies are limited. If the situation deteriorates further, it will have to make hard decisions in determining which outlying areas will provide additional resources for the defense of Phnom Penh and the Mekong.



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